

# FISCAL NOTE

**Bill #:** HB0239

**Title:** Provide funding for economic development activities

**Primary**

**Sponsor:** Carley Tuss

**Status:** As introduced

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Sponsor signature	Date	Dave Lewis, Budget Director	Date
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## Fiscal Summary

	<b><u>FY2000 Difference</u></b>	<b><u>FY2001 Difference</u></b>
<b>Expenditures:</b>		
General Fund	(\$1,125,000)	(\$2,225,000)
State Special Revenue	\$1,125,000	\$2,225,000
<b>Revenue:</b>		
State Special Revenue	\$1,125,000	\$2,225,000
<b>Net Impact on General Fund Balance:</b>	<b>\$1,125,000</b>	<b>\$2,225,000</b>

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<b><u>Yes</u></b>	<b><u>No</u></b>		<b><u>Yes</u></b>	<b><u>No</u></b>	
X		Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts

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## Fiscal Analysis

### ASSUMPTIONS:

1. As stated in 15-31-803, MCA, the total annual rate of assessment on Foreign Capital Depositories is 1.50% of the total value of assets on deposit or in a safe deposit box.
2. If one Foreign Capital Depository opened in FY 2000 and another in FY 2001, and if each financial institution had assets of \$100 million, annual revenues of \$1.5 million would be generated (\$100 million \* 1.50% = \$1.5 million) in FY 2000 and \$3.0 million in FY 2001 (\$200 million \* 1.50% = \$3.0 million). Revenues dedicated to economic development activities would therefore be \$1.125 million in FY 2000 (\$1.5 million \* .75% = \$1.125 million) and \$2.25 million in FY 2001 (\$3.0 million \* .75% = \$2.25 million).
3. Revenues dedicated to economic development activities would be expended in the years collected and additional FTE would be added only as needed.

(continued)

4. Foreign Capital Depository receipts earmarked for economic development activities would be used to offset general fund activities on a dollar for dollar basis as funds are received.

FISCAL IMPACT:

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
<u>Funding:</u>		
General Fund (01)	(\$1,125,000)	(\$2,225,000)
State Special Revenue (02)	<u>\$1,125,000</u>	<u>\$2,225,000</u>
TOTAL	\$0	\$0

Revenues:

State Special Revenue (02)	\$1,125,000	\$2,225,000
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Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	\$1,125,000	\$2,225,000
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TECHNICAL NOTES:

Language that would enable the Department of Commerce to develop and change operating plans, add FTE, and equipment, with the concurrence of the Montana Jobs and Income Commission, to better respond to changes in economic development environment, may be considered.

## **DEDICATION OF REVENUE:**

- a) Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)

The proposed legislation requires that 75% of the revenues paid on the assets on deposit in Foreign Capital Depositories be used to further economic development activities throughout Montana. Montana citizens, and the state as a whole, would benefit from economic development efforts designed to encourage and to stabilize economic growth throughout Montana.

Proceeds received from Foreign Capital Depositories would be deposited into a state special revenue account created by the proposed legislation and expended on statewide economic development purposes as specified in the bill.

- b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?

Approximately 75% of the revenues paid on the assets on deposit in Foreign Capital Depositories has been specifically earmarked for economic development efforts by the Department of Commerce in HB239. In order to provide appropriate accountability to the legislature, government officials, economic development organizations, and to the citizens of Montana, a separate state special revenue account is required.

- c) Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended?   X   Yes        No (if no, explain)

Economic development activities would be dependent on the success of the Foreign Capital Depository Program. As institutions increase in size economic developments would likewise increase. However, if the Foreign Capital Depository Program fails then no additional funds would become available for economic development efforts.

- d) Does the need for this state special revenue provision still exist?   X   Yes        No (Explain)

The proposed legislation establishes a state special revenue account for economic development efforts funded by 75% of the revenues paid by Foreign Capital Depositories.

- e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)

No. The dedicated revenue provision of the proposed legislation does not diminish the Legislature's ability to control expenditures, scrutinize budgets, or establish program priorities.

- f) Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)

Yes, provided the Legislature continues to mandate state responsibility for the economic development activities.

- g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)

The dedicated revenue provision, which is required in the proposed legislation, would provide accounting efficiencies within the Department of Commerce. It would allow for the quick and accurate analysis of how effective and efficient the economic development activities funded by Foreign Capital Depositories were working.